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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

December 12, 2001

The Honorable Frank Wolf
Chairman

The Honorable José Serrano
Ranking Member
Subcommittee on Commerce, Justice, State and Judiciary
House Committee on Appropriations
11-309 Capitol
Washington, DC 20515

Dear Frank and José:

As we finally seek to wrap up this long First Session of the 107th Congress, I call your attention to an urgent matter within your jurisdiction as fellow Appropriators. I refer to an amendment I sponsored in the Senate to restore funding to the Small Business Administration's HUBZone program. This amendment passed as part of the Senate's consideration of the supplemental appropriations package in the Defense Appropriations bill.

The HUBZone program is one of my personal priorities as former Chairman and now Ranking Member of the Senate Small Business Committee. My legislation to create this program was enacted in the Small Business Reauthorization Act of 1997. As our economy has sputtered in recent months, this vital program to bring jobs to our nation's inner cities, poor rural counties, and Indian reservations has become more important than ever.

The HUBZone program was enacted with unanimous bipartisan support in both Chambers to find a way to direct Federal contracting dollars to the nation's most distressed areas of high poverty and high unemployment. One of the main reasons our nation's most distressed areas remain distressed is the lack of a customer base. Small firms tend not to locate in areas that do not have enough customer traffic to buy their products and use their services. As a result, blighted areas tend to remain blighted, year in and year out.

Under the HUBZone program, the Government acts as a customer. Each year, the Government buys about \$190 billion of goods and services, so it is a very big customer. It can fill that gap while these small firms gain a sound footing, stabilize, and grow. The HUBZone program fundamentally changes the Government's role in economic development to a market-based solution. It also fosters job creation in areas where such jobs have been lacking--helping to make the "welfare-to-work" transition possible.

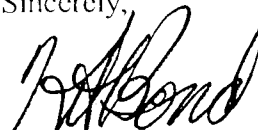
Surprisingly, the conference report on the 2002 Commerce-Justice-State Appropriations bill zeroed out this program. I want to emphasize that this program is one of my key priorities, and I would have preferred to have been consulted prior to such a drastic decision. Extending that extra measure of comity would have prevented the last-minute need to address this matter in a separate bill. What is done, is done, however. My hope here is to extend whatever assistance and information I may provide to encourage you to retain my Senate-passed amendment in the conference negotiations on the Defense/Supplemental bill.

My amendment avoids creating additional budget pressures by not appropriating new money. The Congressional Budget Office scored my amendment as having zero budgetary impact, because it simply provides authority for SBA to spend existing appropriations on the HUBZone program. The amendment allocates \$5 million from the administrative expense funds in the Disaster Loan Program Account. These administrative expenses are transferred to SBA's salaries and expense account to reimburse the agency for costs of administering these loans. Given the large allocation already made for this purpose (\$122 million), the \$5 million carve-out for the HUBZone program seems almost tiny. It is important to note that this transfer from the administrative expense line-item has no effect on the amount of disaster loans subsidized under the appropriations bill.

Finally, I understand concerns have been raised regarding a General Accounting Office (GAO) report on the HUBZone program. Although this report was not released until November 27, two weeks after the conference report was filed, I can understand that you might want to ensure that GAO's recommendations are fully implemented, to ensure the effective, efficient, and economical operation of the HUBZone program. Accordingly, my amendment includes a reporting requirement, that the SBA Administrator notify the Appropriations and Small Business Committees on a quarterly basis on his actions to implement the GAO's recommendations. Since I requested the GAO's report in the first place, I am particularly interested in seeing these problems resolved. I hope the language of the amendment will address your concerns in this respect; if not, however, I am open to suggestion on alternative measures.

I remain at your disposal to answer any questions, concerns, problems, or other matters in this connection. Also, please do not hesitate to have your staff contact Emilia DiSanto, Staff Director, on 4- or Cordell Smith, Professional Staff Member, on 4- . I look forward to working with you to ensure our nation's inner cities, poor rural counties, and Indian reservations are not neglected during these challenging economic times.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Bond", written over a horizontal line.

Christopher S. Bond
Ranking Member